

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001**

Retail Access Optimization Initiative, 2011

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Docket No. N2011-1

**DIRECT TESTIMONY OF
JEFFREY MUSTO, CSRL T-1
ON BEHALF OF THE
CENTER FOR STUDY OF RESPONSIVE LAW
(September 26, 2011)**

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1 Introduction

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3
4 My Name is Jeffrey Musto. I am a public interest advocate and researcher for the Center
5 for Study of Responsive Law (CSRL). The CSRL was founded by Ralph Nader in 1968 as his
6 principal office. The CSRL is a nonprofit organization, based in Washington, D.C. It has
7 sponsored a wide variety of books, organizing projects, litigation, and has hosted hundreds of
8 conferences focusing on government and corporate accountability. In that time, the CSRL has
9 produced a report, a book, and a law review concerning the U.S. Postal Service.¹
10

11 One of the CSRL's primary goals is to empower citizens. The CSRL focuses on a variety
12 of environmental, consumer and worker health and safety issues. The CSRL has conducted
13 research and educational projects to encourage the political, economic, and social institutions of
14 this country to be more aware of the needs of the citizen-consumer. The CSRL thus has a
15 substantial interest in the issues raised by the retail access optimization initiative and the
16 proposed changes.
17

18 As a representative of the Center for Study of Responsive Law, I have been participating
19 actively in this docket and working on other Postal Service related projects for the past few
20 months. Prior to joining CSRL I worked for the U.S. Public Interest Research Group, another
21 non-profit that works on a range of issues on behalf of the citizen-consumer. In these capacities, I
22 have worked diligently to protect the interests of consumers throughout the country.
23

24 As a public interest advocate I have conducted research and analysis on a variety of
25 issues, co-authored nationally released reports on government transparency and corporate tax
26 loopholes, had written works published in newspapers throughout the country, lobbied
27 legislators, and directed grassroots citizen outreach efforts.
28

29 In this testimony, I intend to use this experience and the information assembled from the
30 U.S. Postal Service witness', James Boldt, testimony and from various public and non-public
31 library references included in this docket to identify the aspects of the Retail Access
32 Optimization Initiative (RAOI) that may be particularly harmful to consumers and where the
33 information provided by the U.S. Postal Service may not support the conclusions either stated or
34 implied.
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¹Conkey, Kathleen. "Postal Precipice: Can the United States Postal Service Be Saved?" Center for Study of Responsive Law. Published March 1, 1983. 515 pages.

Belluck, Joseph W. "Comment: Increasing Citizen Participation In U.S. Postal Service Policy Making: A Model Act to Create a Post Office Consumer Action Group." Winter, 1994, 42 Buffalo L. Rev. 253

Shaw, Christopher W. "Preserving the People's Post Office." Published by Essential Books 2006. 250 pages.

1 **I. Purpose and Scope of Testimony**
2

3 The intent of this testimony is to demonstrate the need to protect the citizen-consumer
4 and ensure that the USPS continues to provide its patrons with a “maximum degree of service”
5 as stipulated by law. The RAOI poses a threat to the maximum and equal provision of postal
6 services to consumers in the communities that surround postal facilities being studied for closure
7 or consolidation.
8

9 It is our intent to show that the closure of postal facilities that will surely result from the
10 RAOI and determinations made by USPS management as a part of it will have the potential to
11 cause harm to and place an added burden on consumers in communities that ultimately see the
12 closure of their Post Office.
13

14 In doing this we will point out items of witness Boldt’s testimony that are intended to
15 paint a picture based on data that is either not consistent with the makeup of the postal facilities
16 included in the RAOI, information that would actually measure the burdens placed on consumers
17 by postal facility closures, or an implied understanding of “maximum degree of service” that we
18 believe to be severely misguided.
19

20 People in this country rely on the Postal Service to bind their community together, to do
21 their business, to receive precious communication from a distant friend or relative, to pay their
22 bills, and to receive their medicine, among many other things. The RAOI may leave those who
23 are most vulnerable in our society to feel the harshest effects of a post office closing or the
24 inherent service cuts related with an unexpected reliance on “alternate access sites.”
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II. Relevant Statute

Any consideration of the Retail Access Optimization Initiative (RAOI) and the subsequent decisions to or not to close or consolidate postal facilities should begin from an understanding of the U.S. Postal Service's universal service mandate. Title 39, Part I, Chapter 1, Section 101 (a) and (b) state:

“(a.) *The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States*, authorized by the Constitution, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. *It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.* The costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service to the people.

(b.) *The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.* No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.” (*Emphases added*; U.S.C. Title 39, Part I, Chapter 1, Section 101 (a) and (b))

Throughout the U.S. Postal Service's testimony, cross examination, and responses to interrogatories, it makes the point that the RAOI is simply intended to “examine the feasibility of discontinuing operations at Post Offices, stations, and branches within the retail network.”² Thus, the statute cited above does not preclude the USPS from simply studying postal facilities for possible closure since the RAOI is not actually proposing the immediate closure of these facilities. However, this characterization ignores the direct consequences that will result from the RAOI and the determinations made by USPS management: the closure or consolidation of postal facilities throughout the country.

While Title 39 may not prohibit the USPS from simply studying postal facilities for closure or consolidation, it does require that the USPS provide a “...*maximum* degree of effective and regular postal services...” Should the RAOI, and the determinations made by USPS management as a part of the RAOI, result in the closure or consolidation of postal facilities throughout the U.S., this could very clearly impact the USPS's provision of services to its patrons in the surrounding communities.

For this reason, we will examine the effects of what will likely result from the actions taken by the USPS in conducting the RAOI. In order to do this, we must have an understanding of some of the information that the USPS has provided in various Library References and the direct testimony of witness, James J. Boldt.

² Direct Testimony of James J. Boldt on Behalf of United States Postal Service USPS-T-1. Page 14. Lines 4 through 6. Docket N2011-1. Submitted July 27, 2011.

III. Alternate Access Sites

The U.S. Postal Service seems to believe that the proximity of “alternate access sites” to postal facilities being studied is something that would mitigate concerns about the diminution of postal services to citizens in the surrounding areas in the event of a closure or consolidation. In witness James J. Boldt’s direct testimony, two categories of postal facilities included in the RAOI include criteria that involve the proximity of “alternate access sites” to the facility being considered. One category of more than 380 stations and branches had criteria for inclusion in the RAOI list of candidate postal facilities that included being “located within two miles of at least five alternate access sites.”³ Another category of almost 180 retail annexes had similar criteria, requiring that these annexes were “...located within a half mile of at least five alternate access sites.”⁴

However, to determine the adequacy of these “alternate access sites” in providing a maximum level of service to USPS patrons, we must understand what the USPS is including in its definition of “alternate access sites.” According to witness Boldt’s testimony, “alternate access sites” include “nearby postal facilities, Contract Postal Unites, Approved Shippers, and stamp consignment locations.”⁵ By including these categories of “alternate access sites” in the criteria for initiating the study of postal facilities for closure or consolidation, the USPS must believe that these “alternate access sites” are sufficient alternatives and could serve to replace the postal facility that may ultimately be closed.

In order to establish whether these “alternate access sites” could replace a postal facility and maintain a “maximum degree” of service as required by law, we must examine the types of services provided by these “alternate access sites.” In the USPS’s response to interrogatory DBP/USPS-29, they state that, “Approved Shippers accept mail and sell postage and packaging. Consignment operations sell postage stamps.” The simple sale of postage stamps does not constitute a “maximum degree” of service. It is clear that, should the “alternate access sites” that are included in the criteria for determining a part of the list of RAOI candidate facilities be entirely or almost exclusively composed of facilities that only sell postage, this would represent a diminution of services to USPS patrons. Services that were once available to them at another postal facility would no longer be readily available to them at these “alternate access facilities.”

In the Library References, USPS-LR-N2011-1/6 and 1/7, the USPS provides a breakdown of how many of each of these categories of “alternate access sites” could be found within the defined radii of the postal facilities being studied for closure or consolidation. As mentioned above, these “alternate access sites” may not be sufficient to provide a postal patron with a “maximum degree of service.” However, a stamp on consignment outlet in particular would represent a significant diminution of the range of services provided by a USPS postal

³ Direct Testimony of James J. Boldt on Behalf of United States Postal Service USPS-T-1. Page 16. Line 12. Docket N2011-1. Submitted July 27, 2011.

⁴ Direct Testimony of James J. Boldt on Behalf of United States Postal Service USPS-T-1. Page 16. Line 16. Docket N2011-1. Submitted July 27, 2011.

⁵ Direct Testimony of James J. Boldt on Behalf of United States Postal Service USPS-T-1. Page 16. Footnote 13. Docket N2011-1. Submitted July 27, 2011.

1 facility to a single service: the sale of stamps. In light of this, we conducted an analysis of the
2 two library references above to determine the percentage of postal facilities that were included in
3 the RAOI based, in part, on proximity to “alternate access facilities” that may be inadequate.
4

5 We started by examining what percentage of the post offices, stations, or branches
6 included in the first subset mentioned in this testimony, of 380 included in the RAOI based on
7 “alternate access sites” within 2 miles of the postal facility being considered for closure or
8 consolidation, may have been included based upon inadequate alternate access. Nearly 17
9 percent of these postal facilities had “alternate access sites” that were solely composed of stamp
10 on consignment outlets – there were no other alternate access sites within the prescribed radius
11 of 2 miles.
12

13 Digging deeper, we looked at the nearly 575 postal facilities that required five “alternate
14 access sites” within specific radii for inclusion in the RAOI. If stamps on consignment outlets
15 were excluded as an appropriate “alternate access site” from this analysis, due to an obvious lack
16 of services provided at these facilities, over 70 percent of these postal facilities would be
17 excluded from the RAOI for having insufficient nearby alternative access facilities. Taking this
18 analysis yet one step further, if *only* other post offices were included in the definition of
19 “alternate access sites,” only 17 percent of the nearly 575 postal facilities requiring 5 nearby
20 “alternate access sites” would remain a part of the RAOI, eliminating at the outset nearly 475
21 postal facilities from even being considered for closure or consolidation.
22

23 Finally, we determined the total number of “alternative access sites” for the nearly 575
24 postal facilities that required five “alternative access sites” within a specific radii for the postal
25 facilities’ inclusion in the RAOI list. Total “alternative access sites” for these postal facilities
26 amounted to nearly 20,000 facilities. Of those 20,000 facilities, over 85 percent of them were
27 stamp on consignment outlets. This shows that for the small percentage of postal facilities that
28 would have remained on this list had stamp on consignment outlets been eliminated from the
29 definition of “alternative access site,” the options available to postal patrons in the surrounding
30 communities remains limited. This is a clear demonstration that the number of “alternative
31 access sites” found nearby the 575 postal facilities referenced above was considerably inflated by
32 including stamp on consignment outlets in the definition of an “alternative access site.”
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36 **IV. Driving Distances to Nearest Neighbor Post Offices**

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39 As a part of witness Boldt’s testimony, a chart was included that was intended to demonstrate
40 the proximity of retail locations with “walk-in-revenue” (WIR) below \$100,000 to the nearest
41 retail location. It shows that of the subset of retail locations examined, only 11 percent are
42 greater than 10 miles from the nearest Retail Location. This chart is intended to illustrate the
43 USPS’s point that many postal facilities are in fact not far from their nearest neighbors.
44 However, there are two misleading characteristics of this chart and the implied conclusions that
45 the USPS wants the reader to draw.
46

1 First, the USPS uses geographic coordinates to determine the distances between retail
2 locations in the chart. Second, the subset of retail facilities that are examined is vastly larger than
3 and not representative of the postal facilities included in the RAOI. The subset used in the
4 USPS's analysis includes nearly 13,500 retail locations, whereas the RAOI includes but a
5 fraction of that at about 3,650 postal facilities.
6

7 Without measuring driving distances (and instead using geographic coordinates) between
8 post offices, the USPS does not accurately represent the added distance that postal patrons will
9 have to travel to reach the next closest post office should one of the postal facilities studied
10 ultimately be closed or consolidated. If this is not accurately represented, it is impossible to
11 completely understand the additional burden that may be placed on consumers in the event of a
12 post office closure or consolidation.
13

14 Additionally, if he does not use the same subset of post offices as those included in the
15 RAOI, this information is not even generally helpful to illustrate an implied point that rural post
16 offices actually aren't far from their nearest postal facility neighbor. In fact, the information
17 provided as a part of this testimony is entirely useless in determining the impact that the RAOI
18 and subsequent post office closures or consolidations may have on the surrounding residents and
19 communities since it is not actually examining the data for the same subset of postal facilities.
20

21 In USPS-N2011-1/12, the USPS provides information regarding the driving distances
22 from most of the RAOI candidate facilities to their nearest Post Office neighbor. In witness
23 Boldt's original testimony, he cited information that only 11 percent of retail locations were
24 more than 10 miles from the nearest Post Office (within his subset of facilities). However, if we
25 look at the data that corresponds to the RAOI facilities being studied generally, we see that
26 among these facilities, nearly 30 percent are 10 miles or more away from their nearest neighbor
27 post office. That is almost triple the amount that witness Boldt presents for his subset of almost
28 13,500 post offices. This clearly represents a material difference between the provided by
29 witness Boldt from the subset of facilities he studied and the subset of facilities that are
30 candidates for closure or consolidation under the RAOI.
31

32 33 34 **V. Conclusion** 35 36

37 It is clear from the previous discussion that a significant portion of the subset of about 3,650
38 postal facilities being studied for closure or consolidation under the RAOI are located in areas of
39 the country that are especially vulnerable to losing their Post Offices and in which consumers
40 have little access to viable and sufficient alternatives.
41

42 The consideration of "alternate access sites" fails to ensure the provision of equivalent
43 services to the postal facility being considered for closure or consolidation. In the case of the
44 RAOI, "alternate access sites" that provide a clear lack of services compared to other postal
45 facilities were considered when deciding upon the subset of postal facilities to include in the list
46 of study. Stamp on consignment outlets do not provide a sufficient level of service to postal

1 patrons to be considered an adequate replacement of a postal facility. The sole service they
2 provide is the sale of stamps. Yet, the proximity of these “alternate access sites” was considered
3 sufficient for a postal facility to be included in the RAOI. 70 percent of the 575 postal facilities
4 that were required to meet a threshold of five “alternate access sites” to be included in the RAOI
5 only met that threshold because stamp on consignment outlets were included in the definition of
6 “alternate access sites.”
7

8 On top of this, the facilities included in the RAOI are nearly three times more likely to be
9 greater than 10 miles from the nearest Post Office than the subset of postal facilities discussed in
10 witness Boldt’s testimony. Not only do these communities already have a lack of adequate
11 alternatives, but if their residents decided that these alternatives were insufficient, they would
12 also tend to have to drive further to reach the nearest Post Office compared to those discussed in
13 witness Boldt’s testimony. This shifts the burden onto the consumer and represents a significant
14 barrier to postal patrons to receive the universal service that they are supposed to be guaranteed
15 by law. This is especially so in the case of the Matinicus Post Office in Maine, originally
16 included in the RAOI, from which the nearest Post Office is 20 miles by boat; or the Koyukuk
17 Post Office in Alaska, originally included in the RAOI, from which the nearest Post Office is 283
18 miles; or the Stehekin Post Office in Washington which is over 85 miles from its nearest Post
19 Office “neighbor” – and the list goes on.
20

21 The effects of the RAOI could be devastating to communities and consumers that
22 surround the postal facilities being considered for closure if they are in fact closed. As already
23 mentioned, postal patrons rely on the Postal Service to bind their community together, to do their
24 business, to receive precious communication from a distant friend or relative, to pay their bills,
25 and to receive their medicine, among many other things. Especially during times of natural
26 disasters and national security concerns, there are people who rely on the USPS for critical
27 emergency supplies and medicine. The closure of postal facilities could impair these citizens’
28 ability to gain access to these necessary provisions at times of peril. The RAOI may leave those
29 who are most vulnerable in our society to feel the harshest effects of a post office closing or the
30 inherent service cuts related with an unexpected reliance on “alternate access sites.”
31

32 It is imperative that the Postal Regulatory Commission and the U.S. Postal Service do their
33 best to prevent postal facilities from closing in areas that have inadequate access to alternatives
34 and that are prohibitively far from the nearest Post Office. As Ralph Nader recently said in a
35 letter, found in Appendix A, to Senator Lieberman and Congressman Issa: “Remember Ben
36 Franklin’s vision.”
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Appendix A
(Letter from Mr. Ralph Nader to Senator Lieberman and Congressman Issa)

September 21, 2011

Senator Joseph Lieberman
Chairman of the Homeland Security and Governmental Affairs Committee
United States Senate
SH-706 Hart Senate Office Building
Washington, D.C. 20510-0703

Congressman Darrell Issa
Chairman of the Oversight and Government Reform Committee
House of Representatives
2347 Rayburn House Office Building
Washington, D.C. 20515-0549

If the U.S. Postal Service were forced to default and start to shut down, the consequences would be dire. Americans would lose a service that is essential to many people and which has bound our nation together. A shut down would also cause great damage to our economy. Senator Carper has said that such an unspeakable event could “effectively shut down the U.S. mailing industry that depends on the Postal Service...A shutdown of an industry of its magnitude, with some 7 million employees and more than \$1 trillion in revenue, would be catastrophic to our fragile economy.”⁶ For these reasons, as Congress considers ready solutions to the financial woes of the U.S. Postal Service, I hope you will examine the viable options with a full understanding of how the U.S. Postal Service (USPS) came to be in such a deep fiscal hole and how they might start to climb out of it.

In 2006, the United States Congress passed the Postal Accountability and Enhancement Act of 2006 (PAEA). This bill required that the USPS prefund its future health care benefit payments to retirees for the next 75 years in an astonishing ten year time span.

Under the PAEA, USPS is required to make \$103.7 billion in payments by 2016 to a fund that will pay for *future* health benefits of retirees of the next 75 years. This health benefit prefunding mandate covers not only current employees that will retire in the future, but employees yet to be hired who will eventually retire. On top of this, none of the money that the USPS contributes to this fund can be used to pay for *current* retiree health benefits. So the USPS must make payments for current retirees’ health benefits *in addition* to its required health benefit prepayments for future retirees. This is something that *no other government or private corporation is required to do and is an incredibly unreasonable burden.*

⁶ McElhatton, Jim. “Post Office Seeks a Federal Review of Pension Fund.” *Washington Times*. June 22, 2011. Accessed September 16, 2011. <<http://www.washingtontimes.com/news/2011/jun/22/justice-department-review-postal-pension-dispute/>>

1 Furthermore, a July 2009 report⁷ from the U.S. Postal Service’s Office of Inspector
2 General reveals not only that the prepayments for future retiree health care benefits required by
3 PAEA bear no relationship to the USPS’s future liabilities but also that they aren’t actuarially
4 calculated. The Office of Inspector General’s report even questions the basic assumptions the
5 Office of Personnel Management (OPM) uses to calculate the USPS’s retiree health care
6 obligations and suggests that they are likely unreasonable. OPM assumes health care cost
7 inflation significantly higher than industry accepted standards. OPM assumes health care cost
8 inflation of 7 percent, while the standard used across government and private corporations is
9 around 5 percent. All of this means that the unreasonable requirements under PAEA are even
10 more perverse in that they may result in an overpayment of nearly \$13.2 billion by 2016 –
11 funding the future retiree health care obligations by 115 percent.

12 The deep hole of debt that is currently facing the U.S. Postal Service (USPS) is entirely
13 due to the burdensome prepayments for future retiree health care benefits imposed by Congress
14 in the PAEA. By June 2011, the USPS saw a total net deficit of \$19.5 billion, \$12.7 billion of
15 which was borrowed money from Treasury (leaving just \$2.3 billion left until the USPS hits its
16 statutory borrowing limit of \$15 billion).⁸ This \$19.5 billion deficit almost exactly matches the
17 \$20.95 billion the USPS made in prepayments to the fund for future retiree health care benefits
18 by June 2011. If the prepayments required under PAEA were never enacted into law, the USPS
19 would not have a net deficiency of nearly \$20 billion, but instead be in the black by at least \$1.5
20 billion. Should the Postmaster General’s predictions⁹ of a nearly \$10 billion loss by the end of
21 the year prove accurate, the USPS would have a net deficit of almost \$24 billion. However, it
22 would also have been required to make a total of nearly \$26.5 billion in prepayments in
23 accordance with PAEA by that point. Eliminating these prepayments, in this scenario, would
24 allow the USPS to be in the black by \$2.5 billion – instead of seeing a net deficit of \$24 billion.

25 It is clear that these prepayments for future retiree health care benefits are – at this point –
26 the primary reason for the U.S. Postal Service’s financial crisis. In fact, simply looking at the
27 numbers reveals that the Postal Service’s “financial crisis” is in fact an entirely manufactured
28 “crisis” precipitated by the ill-advised schedule of prepayments for future retiree health care
29 benefits mandated by the 2006 PAEA passed by Congress and signed by President Bush.

30 In addition to providing its retirees with health care benefits, the U.S. Postal Service takes
31 part in the federal government’s retirement system in order to provide retirees with pensions. The
32 system for current employees is the Federal Employees Retirement System (FERS), which
33 replaced the Civil Service Retirement System (CSRS) in 1987. To understand just how much this
34 crisis has been manufactured, we only need to look at two reports by the U.S. Postal Service’s
35 Office of the Inspector General that examine the payments the USPS has made to these funds.

36 A January 2010 report¹⁰ reveals that from 1972 to 2009, the U.S. Postal Service overpaid
37 the Civil Service Retirement System (CSRS) by about \$75 billion and proposes that this be paid

⁷ Corbett, Joseph. “Final Management Advisory Report – Estimates of Postal Service Liability for Retiree Health Care Benefits (Report Number ESS-MA-09-001(R))” *U.S. Postal Service Office of Inspector General*. July 22, 2009.

⁸ United States Postal Service. Form 10-Q for the Period ended June 30, 2011. Filed August 5, 2011.

⁹ Postmaster General Patrick Donahoe. “Statement of Postmaster General/CEO Patrick R. Donahoe Before the Committee on Homeland Security and Governmental Affairs United States Senate.” September 6, 2011. Accessed on September 16, 2011. <http://about.usps.com/news/speeches/2011/pr11_pmg0906.pdf>

¹⁰ U.S. Postal Service Office of Inspector General. “The Postal Service’s Share of CSRS Pension Responsibility (Report Number RARC-WP-10-001).” January 20, 2010.

1 back to the Postal Service immediately. On top of this, an August 2010 report¹¹ projected that the
2 USPS had overpaid the Federal Employees Retirement System (FERS) by about \$6.8 billion by
3 the end of FY 2009. Combined, these overpayments amount to about \$82 billion.

4 It has been suggested in these reports that these overpayments to the federal pension
5 systems be refunded and credited toward the U.S. Postal Service's retiree health benefit
6 prepayment requirements under PAEA. Having funded about \$38 billion of their \$103.7 billion
7 obligation under PAEA, an \$82 billion refund would allow the USPS to fully fund these retiree
8 health benefit prepayments and end future payments. It would even allow them to pay down a
9 significant portion of their debt: leaving about \$16.3 billion left over to pay any remaining
10 obligations.

11 Critics of the U.S. Postal Service will say that declining mail volume has been a result of
12 the internet age and a move toward digital communications. One cannot deny that the USPS has
13 lost mail volume or that costs have grown over the years due to increases in energy prices and
14 the total number of delivery points that must be met as the U.S. population increases. These
15 factors combined with declining revenues have certainly impacted the USPS's net income, but
16 they aren't the chief drain on the USPS's financial resources. Those that would claim otherwise
17 simply distract from the true culprits already mentioned. The most significant problems
18 impacting the USPS's net income are the unreasonable burdens placed on it by PAEA and by its
19 overpayments to the CSRS and FERS funds. And most of the loss of volume has happened from
20 2007 to today, due to the financial crisis and the subsequent recession. In fact, the largest
21 declines in mail volume and revenue came between 2008 and 2009 – at the peak of the most
22 recent financial crisis and recession.

23 From 2007 to 2010, USPS's annual revenue fell by nearly \$8 billion, representing about a
24 10.5 percent drop from its 2007 peak revenue of about \$75 billion. A ten percent drop is
25 certainly significant – but not to be unexpected in the midst of a straining financial environment
26 that forces consumers to cut back spending. To provide some perspective: even Fortune 500
27 companies in the top 10 in 2011, like General Electric, Ford Motor Company, and Exxon Mobil
28 have all seen annual revenue drop by even greater margins. Ford saw its annual revenue fall from
29 its 2007 peak of \$169 billion to about \$129 billion in 2010 – almost a 24 percent drop.¹² Exxon,
30 similarly, saw its annual revenue fall from a 2008 peak of \$460 billion to \$370 billion in 2010 –
31 an almost 20 percent drop.¹³ And General Electric saw a 17 percent drop in annual revenue from
32 2008 to 2010.¹⁴

33 The U.S. Postal Service has already responded to these declining revenues by cutting
34 nearly 110,000 jobs in four years¹⁵ through attrition and closing hundreds of post offices. Since
35 much of this lost volume and revenue may be a result of the financial crisis and recession, many

¹¹ Corbett, Joseph and Marie Therese Dominguez. "Management Advisory – Federal Employees Retirement System Overfunding (Report Number FT-MA-10-001)" U.S. Postal Service Office of Inspector General. August 16, 2010.

¹² Ford Motor Company. Form 10-k for the fiscal year ended December 31, 2010. Filed on 2/28/2011. Accessed on September 16, 2011. <<http://www.sec.gov/Archives/edgar/data/37996/000115752311001210/a6622311.htm>>

¹³ Exxon Mobil Corporation. Form 10-k for the fiscal year ended December 31, 2010. Filed on 2/25/2011. Accessed on September 16, 2011.

<http://www.sec.gov/Archives/edgar/data/34088/000119312511047394/d10k.htm#toc94192_9>

¹⁴ General Electric Company. Form 10-k for the fiscal year ended December 31, 2010. Filed on 2/25/2011. Accessed on September 16, 2011. <<http://www.sec.gov/Archives/edgar/data/40545/000119312511047479/d10k.htm>>

¹⁵ Mintz, Jessica. "Postal Service Mulls Closing 3,700 Post Offices". MSNBC.com. July 26, 2011. Accessed September 20, 2011. <http://www.msnbc.msn.com/id/43887908/ns/business-us_business/t/postal-service-mulls-closing-post-offices/#.Tnn-l-yqhd4>

1 of these permanent closures may be unwarranted. Mail volume usually recovers once the
2 economy begins to recover, relatively speaking. Despite the fact that the U.S. Postal Service has
3 already taken action to account for the effects of the current economic conditions, it is still
4 looking at ways to cut service and jobs – considering cutting service from 6 to 5 days per week,
5 closing more post offices, and cutting more jobs.

6 Any reform that Congress passes must maintain the U.S. Postal Service’s universal
7 mandate. The USPS is required by law to provide a maximum level of service to all citizens of
8 the United States. The U.S. Postal Service also must fulfill an, at times, competing mandate of
9 remaining self sufficient and fiscally sound. Unfortunately, in order to balance these sometimes
10 competing objectives, the Postal Service has resorted to closing thousands of Post Offices
11 throughout the United States, reducing its workforce, and cutting back on the quality of service
12 provided to its patrons. Together, raising rates and reducing services are a suicidal prescription
13 for further decline.

14 The Postal Service recently began studying 3,652 more post offices for closure.
15 Originally it claimed that this initiative could save nearly \$1 billion. However, more recently the
16 U.S. Postal Service has provided estimates of cost savings from this effort – without noting the
17 substantial community benefits that are wiped out by the loss of a Post Office – that only amount
18 to \$200 million. And it would only save that much if *all* of the 3,652 post offices are ultimately
19 closed – something they have stated they do not intend to do. Either way, \$200 million only
20 represents *two percent* of the \$10 billion deficit projected by the Postmaster General for this
21 year, assuming no refund of the USPS’s overpayments to federal pension systems. What is the
22 sense in closing such a large number of post offices and cutting back on the service and the sense
23 of community to millions of U.S. citizens in exchange for such a pittance of cost savings –
24 especially when there are other much larger ways, noted earlier, that can be adopted to put the
25 Postal Service back on financially sound footing? *Not to mention the Postmaster General’s*
26 *declaration last year about starting aggressive sales promotion under his watch.*

27 Remember, too, that especially during times of natural disasters and national security
28 concerns, there are people who rely on the USPS for critical emergency supplies and medicine.
29 Cutting services further could impair these citizens’ ability to gain access to these necessary
30 provisions at times of peril.

31 In light of the challenges and burdens facing the Postal Service, Congress should do its
32 best to pass reforms that will eliminate the manufactured financial crisis that the USPS faces in a
33 way that minimally impacts patrons of the USPS. To reiterate, the prepayment of retiree health
34 benefits for the next 75 years (in a period of 10 years, by 2016) required by PAEA is overly
35 burdensome and something that no other government agency or private corporation is required to
36 do.

37 Congress should not only ensure that the \$82 billion in overpayments the USPS made to
38 federal pension systems, identified by the U.S. Postal Service’s Office of Inspector General, be
39 refunded, but that the provisions of PAEA that require the USPS to prefund its retiree health
40 benefits at such an accelerated schedule be repealed.

41 This would ensure that the USPS returns to solid financial footing and do so in a way that
42 prevents more post offices from being closed, more jobs from being cut, and the quality of
43 service from deteriorating further. Such an outcome would be favorable to the people in this
44 country that rely on the post office to bind their community together, to do their business, to
45 receive precious communication from a distant friend or relative, to pay their bills, or to receive

1 their medicine, among many other things. Otherwise, those who are most vulnerable in our
2 society will feel the harshest effects of further post office closings and service cuts.
3 Remember Ben Franklin's vision.
4

5 Sincerely,
6
7
8

9 Mr. Ralph Nader
10 P.O. Box 19312
11 Washington, DC 20036